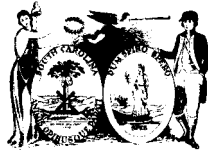


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

October 9, 2001

Ms. Laura Ann Winn, Administrator
Ellen Sagar Nursing Home
1817 Jonesville Highway
Union, South Carolina 29379

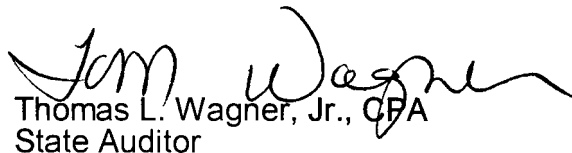
Re: AC# 3-ELS-J8 – Union Hospital District d/b/a Ellen Sagar Nursing Home

Dear Ms. Winn:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**UNION HOSPITAL DISTRICT
D/B/A ELLEN SAGAR NURSING HOME**

UNION, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-ELS-J8**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1998	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 2, 2000, except for the interim
reimbursement rate reflected on Exhibit A,
as to which the date is December 19, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Union Hospital District d/b/a Ellen Sagar Nursing Home, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

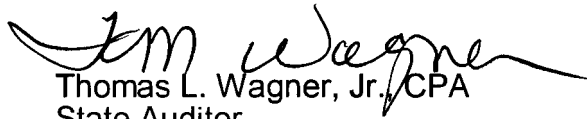
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Union Hospital District d/b/a Ellen Sagar Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Union Hospital District d/b/a Ellen Sagar Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 2, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME

Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-ELS-J8

Adjusted reimbursement rate	\$88.79
Interim reimbursement rate (1)	<u>86.33</u>
Increase in reimbursement rate	\$ <u><u>2.46</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 1999
AC# 3-ELS-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$40.28	\$47.33	
Dietary		8.74	9.69	
Laundry/Housekeeping/Maint.		<u>11.01</u>	<u>8.24</u>	
Subtotal	\$ <u>4.57</u>	60.03	65.26	\$60.03
Administration & Med. Rec.	\$ <u>1.96</u>	<u>9.60</u>	<u>11.56</u>	<u>9.60</u>
Subtotal		69.63	<u>\$76.82</u>	69.63
<u>Costs Not Subject to Standards:</u>				
Utilities		2.15		2.15
Special Services		.41		.41
Medical Supplies & Oxygen		4.26		4.26
Taxes and Insurance		.24		.24
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$76.69</u>		76.69
Inflation Factor (3.00%)				2.30
Cost of Capital				8.27
Cost of Capital Limitation				(1.87)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.96
Cost Incentive				4.57
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.78)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.90</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$88.79</u>

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-ELS-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,563,759	\$ 10,524 (1) 643 (1)	\$ -	\$1,574,926
Dietary	340,377	1,515 (1)	-	341,892
Laundry	62,160	92,189 (4)	-	154,349
Housekeeping	197,483	-	7,328 (1)	190,155
Maintenance	85,901	-	-	85,901
Administration & Medical Records	373,953	1,291 (1)	-	375,244
Utilities	84,053	-	-	84,053
Special Services	16,095	-	-	16,095
Medical Supplies & Oxygen	166,424	-	-	166,424
Taxes & Insurance	9,531	-	-	9,531
Legal Fees	-	-	-	-
Cost of Capital	255,297	2,592 (3) 78,663 (7)	2,193 (2) 9,240 (5) 1,930 (6)	323,189
Subtotal	3,155,033	187,417	20,691	3,321,759

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-ELS-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	22,050	-	-	22,050
Non-Allowable	96,888	2,193 (2)	6,645 (1)	(76,486)
		1,930 (6)	92,189 (4)	
			78,663 (7)	
Total Operating Expenses	<u>\$3,273,971</u>	<u>\$191,540</u>	<u>\$198,188</u>	<u>\$3,267,323</u>
Total Patient Days	<u>39,096</u>	<u>-</u>	<u>-</u>	<u>39,096</u>
TOTAL BEDS	<u>108</u>			

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME

Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-ELS-J8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nursing	\$ 10,524	
	Restorative	643	
	Dietary	1,515	
	Administration	1,291	
	Housekeeping		\$ 7,328
	Nonallowable		6,645
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304		
2	Nonallowable	2,193	
	Cost of Capital		2,193
	To adjust loss on disposal State Plan, Attachment 4.19D		
3	Fixed Assets	64,260	
	Cost of Capital	2,592	
	Accumulated Depreciation		31,915
	Other Equity		34,937
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304		
4	Laundry	92,189	
	Nonallowable		92,189
	To adjust laundry cost to the Wallace Thompson Hospital Medicare cost report HIM-15-1, Section 2150		
5	Accumulated Depreciation	144,542	
	Other Equity	123,741	
	Fixed Assets		259,043
	Cost of Capital		9,240
	To remove fixed assets applicable to retirement center HIM-15-1, Section 2102.3		

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME

Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-ELS-J8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Cost of Capital	1,930	1,930
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
7	Cost of Capital Nonallowable	78,663	78,663
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>524,083</u>	\$ <u>524,083</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-ELS-J8

	<u>OLD</u>	<u>NEW</u>	<u>NEW</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	35,130	
Number of Beds	<u>51</u>	<u>44</u>	<u>13</u>	
Deemed Asset Value	1,791,630	1,545,720	456,690	
Improvements Since 1981	823,850	108,379	-	
Accumulated Depreciation at 9/30/98	<u>(814,531)</u>	<u>(275,088)</u>	<u>(23,730)</u>	
Deemed Depreciated Value	1,800,949	1,379,011	432,960	
Market Rate of Return	<u>.063</u>	<u>.063</u>	<u>.063</u>	
Total Annual Return	113,460	86,878	27,276	
Return Applicable to Non-Reimbursable Cost Centers	(1,929)	(469)	(371)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>499</u>	<u>-</u>	
Allowable Annual Return	111,531	86,908	26,905	
Depreciation Expense	54,877	40,613	14,354	
Amortization Expense	-	-	551	
Capital Related Income Offsets	-	(10,574)	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(933)</u>	<u>(805)</u>	<u>(238)</u>	<u>Total</u>
Allowable Cost of Capital Expense	165,475	116,142	41,572	\$323,189
Total Patient Days (Actual Days)	<u>18,462</u>	<u>15,928</u>	<u>4,706</u>	<u>39,096</u>
Cost of Capital Per Diem	\$ <u>8.96</u>	\$ <u>7.29</u>	\$ <u>8.83</u>	\$ <u>8.27</u>

UNION HOSPITAL DISTRICT D/B/A ELLEN SAGAR NURSING HOME

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended September 30, 1998

AC# 3-ELS-J8

	<u>OLD</u>	<u>NEW</u>	<u>NEW</u>
6/30/89 Cost of Capital and Return on Equity			
Capital Per Diem Reimbursement	\$1.02	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$5.01</u>	<u>\$ 7.29</u>	<u>\$8.83</u>
Reimbursable Cost of Capital Per Diem *		\$ 6.40	
Cost of Capital Per Diem		<u>8.27</u>	
Cost of Capital Per Diem Limitation		<u>\$(1.87)</u>	

* $((18,462 \times 5.01) + 116,142 + 41,572) / 39,096$

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